

# Financial Status Report

*Prepared by the Finance Department*

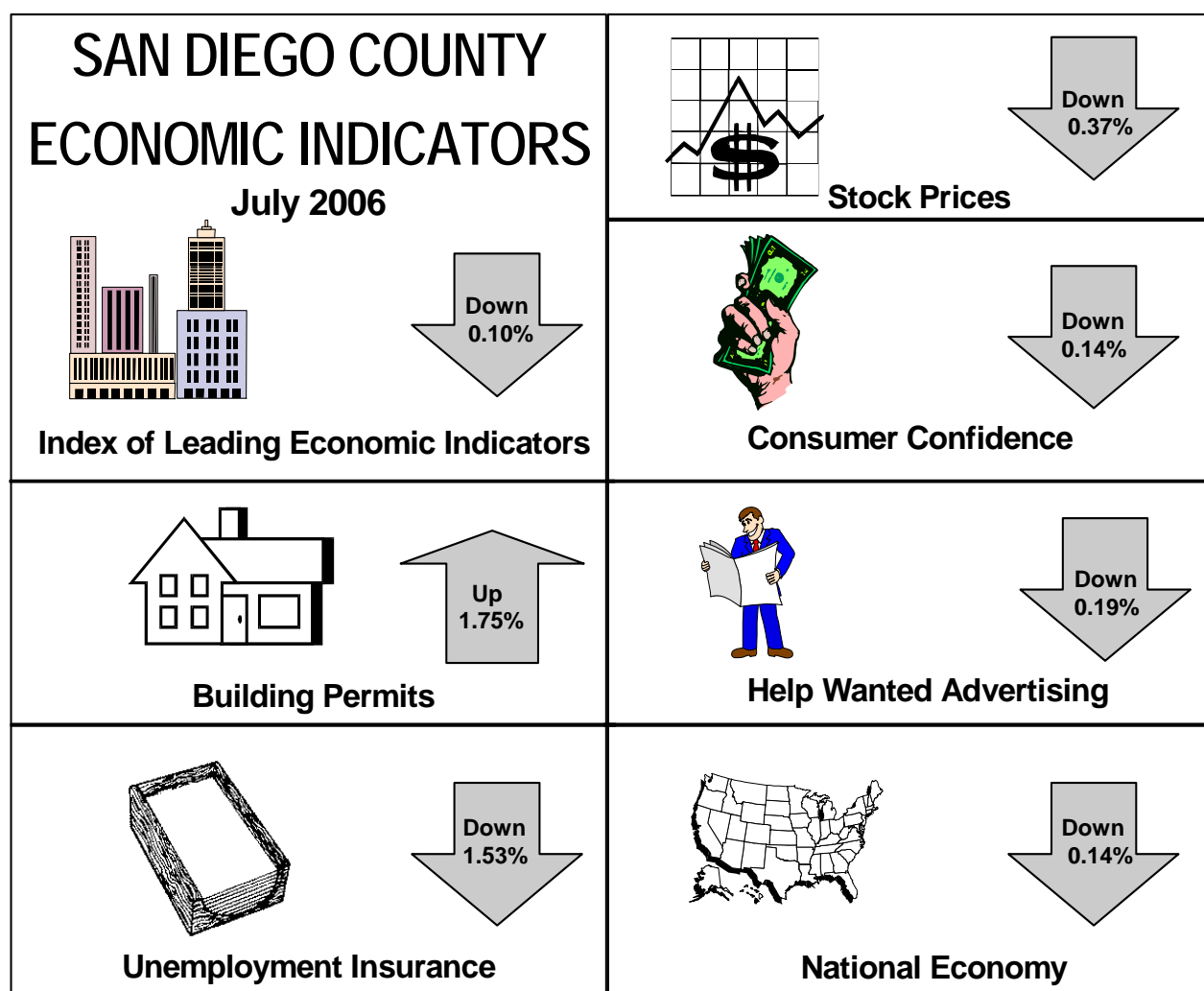


August 31, 2006

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through August 31, 2006. It compares revenues and expenditures for the first two months of Fiscal Year 2006-07 and Fiscal Year 2005-06. In addition, the financial status of the Water and Sanitation Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

## SAN DIEGO ECONOMIC INDICATORS



Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, September 6, 2006.

**According to the USD Index of Leading Economic Indicators Report:**

July's move was the fourth consecutive monthly decrease in the USD Index of Leading Economic Indicators. The decline was broad based, with five of the six components down during the month. Interestingly, almost all of the components turned negative in April and many have remained negative since. Given the negative indications, the outlook is for a slowing in the local economy towards the end of 2006, with the weakness extending at least through the beginning of 2007. This weakness will be manifested in the form of slower job growth (about 15,000 compared to the current 18,000 – 19,000) and the unemployment rate edging up to 4.5 percent.

Residential units authorized by building permits posted a second straight strong gain after declining for a full year. Strength in multifamily units authorized is largely responsible for the turnaround. The labor market variables were both down in July, indicating weakness in terms of both job losses and hiring plans. While still relatively low compared to historic levels, initial claims for unemployment insurance are up more than 20% from the low reached in November of 2005. Help wanted advertising remains weak, with an increase in online advertising only partially offsetting declines in print advertising. The consequence is that the local unemployment rate has increased to 4.3 percent in July after being under 4 percent for much of the spring. After finishing 2005 and beginning 2006 with a rebound, consumer confidence has slipped again. The war in Iraq, high gas prices, an uncertain housing market, and political turmoil locally, nationally, and internationally are some of the reasons for consumer pessimism. Consumer spending could be adversely affected, which is significant because consumer spending is typically two-thirds of economic activity. With the Nasdaq Composite Index in the red for the year, local stock prices remain under pressure. They have mirrored the overall Index and have fallen for four months in a row. The national Index of Leading Economic Indicators indicates potential problems for the national economy. Although down only slightly in July, the national Index has decreased in three of the last four months and four of the last six. A weak national economy would hurt San Diego's tourism industry and those firms who sell products nationally.<sup>1</sup>

**TOP GENERAL FUND REVENUES**

**Property Taxes (\$1.6 million)** – As the majority of property tax revenue is collected in December and April each fiscal year, the property taxes collected to date are not a good indicator of what the City will be receiving during the year. The City expects to see a 15% increase for the year including property taxes received in lieu of vehicle license fees. According to the most recent County of San Diego Assessor's Office report, assessed values in Carlsbad have increased by 14.3% for Fiscal Year 2006-07. This is the fourth straight year that Carlsbad has seen double digit growth in assessed values.

The increase in property taxes to date is the result of timing differences in the receipt of aircraft and delinquent property taxes.



**Sales Taxes (\$3.5 million)** – For the first two months of the new fiscal year, sales tax revenues are \$631,000 (or 22%) higher than the same time period in the previous fiscal year. Sales tax revenues to date represent the second and third advances of the City's second quarter sales tax revenues. Advances are based on prior year activity, and are not a true indicator of the current economy. The primary factor in the increase over the prior fiscal year is a large sales tax adjustment was given to one of the major businesses in Carlsbad last year. This adjustment negatively impacted the City's sales tax revenues last fiscal year by \$369,000.

For sales occurring in the first calendar quarter of 2006 (the most recent data available), key gains could be seen in service stations, restaurants and apparel stores. During the same period, key declines could be seen in new auto sales, office equipment and chemical products. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up 3.3%

<sup>1</sup> University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Down Slightly in July*, September 6, 2006.

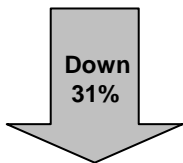
for sales occurring in the twelve months ended March 31, 2006 over the same twelve-month period last year.

The largest economic segments in the City continue to be new auto sales, department stores, restaurants, apparel stores, and miscellaneous retail. Together, they generate 69% of the City's sales tax revenues.



**Transient Occupancy Tax (\$2.9 million)** – Transient Occupancy Taxes (TOT) for the first two months reflect an increase of \$633,000, 28% over the previous year. Increased tourism throughout the City accounted for a large portion of this increase (61%), with the other factor being timing differences (39%). Year-to-date TOT figures represent taxes collected on hotel receipts through the month of July 2006.

The West Inn opened to the public in May of 2006. The addition of the City's 33<sup>rd</sup> hotel brings the total rooms available in Carlsbad to over 3,400.



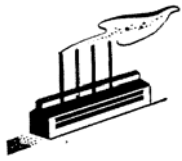
**Development-Related Revenues (\$828,000)** – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a decrease year-to-date. It is anticipated that these revenues will decline in total by over 25% for the entire fiscal year. At this time last fiscal year, development was extremely strong, and didn't begin to decline until the second half of the fiscal year, continuing into the current

fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. One of the largest development-related revenue sources year-to-date is engineering plan check fees. Some of the activity in August included residential development at Bressi Ranch and the Greens in the Villages of La Costa; continued expansion at the La Costa Resort & Spa; and the new resort adjacent to Legoland.

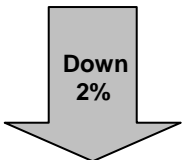
Another source of development-related revenue is building permits, which are down 59% compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction and a decrease in the number of residential building permits issued. The valuation of new construction in the current fiscal year is just over \$59.5 million, while it was just under \$120.3 million in the previous fiscal year, a 50.5% decrease. The number of homes permitted in Carlsbad dipped sharply in August, dropping below 100 units for the sixth time since January 2006. Builders pulled permits for 23 units in August. Of the 23 homes permitted, three were for single-family residences, two were for second dwelling units, and five condominiums will be constructed after the demolition of a two-unit apartment complex (net result is three additional units). Fifteen of August's permitted units were approved for building in the Greens and Ridge neighborhoods in the Villages of La Costa. For the first two months of the fiscal year, 37 residential permits were issued, as compared to 335 permits issued during the same period last year.

Carlsbad issued five permits for new reportable non-residential space, for a total of 328,423 square feet permitted in August. The non-residential activity includes 67,958 square feet of industrial office space located at 2888 Loker Avenue East. Two 47,504 square foot commercial buildings will be constructed on Lot 16 of Bressi Ranch located at Campbell Place. A 59,567 square foot commercial shell tilt-up will be located on Campbell Place in the Opus Pointe campus, and 105,950 square feet of commercial space will be constructed as part of the Carlsbad Raceway project. Year-to-date there has been a combined 555,116 square feet in commercial/industrial permits issued, as compared to 90,146 square feet at this time in Fiscal Year 2006.

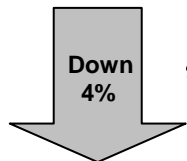


**Franchise Taxes (\$561,000)** – Franchise fees come from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, and cable franchises conducting business within City limits. Year-to-date franchise fees are up \$86,000 over the same period last year due primarily to an increase in the quarterly franchise taxes paid by the cable franchisee (up 20%) and by Coast Waste Management (up 16%) for the second quarter of calendar year 2006.

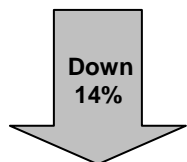
Approximately 59% of the total franchise fee revenue anticipated for the year will be collected from SDG&E during the month of April 2007.



**Recreation Fees (\$542,000)** – Recreation fees are generated through instructional classes, youth and adult sports, the triathlon, and other special events, day trips, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$9,000 lower than the previous fiscal year. The largest factors in this year's decrease are lower participation in the triathlon, the elimination of day trips, and lower aquatics revenues (reduced participation in the Master's swim program and a diving program had been held at this time last year). These decreases were partially offset by higher revenues in adult sports, arts camps, instructional classes and special events.



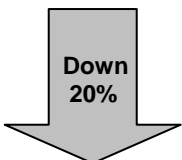
**Business License Tax (\$515,000)** – Business license revenues reflect a decrease of \$21,000 over Fiscal Year 2006 figures. This decrease is attributable to a timing difference in the annual license tax for one of the City's larger businesses. There are currently 8,475 licensed businesses operating within the City, up 417 licenses from last year. The majority of these businesses (5,919 businesses) are located in Carlsbad, with 2,494 of these businesses home-based.



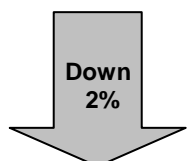
**Income from Investments and Property (\$509,000)** – For the first two months of the new fiscal year, income from investments and property is down \$83,000 compared to the previous year. The lower revenue is a combination of a decrease in interest income (down 18%) and an increase from the rental of City-owned property (up 9%).

Interest income is down for the year due to the effects of a 32% decrease in the average cash balance, partially offset by an 11% increase in the average yield on the portfolio for the first two months of the new fiscal year. The decrease in the average cash balance is due to a \$30.3 million loan made to the Golf Course Fund in September 2005.

Income from property rentals is up compared to the previous year, primarily due to additional recreation site rentals. A majority of the higher recreation site rentals is from the opening of Aviara Park.



**Interdepartmental Charges (\$346,000)** – Interdepartmental charges are \$89,000, or 20% lower than last year. These charges are generated through engineering services charged to capital projects and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund. The decrease through August is due to a decrease in interdepartmental charges to funds outside the General Fund, reflecting an updated cost allocation plan, and reduced engineering services charged to capital projects.

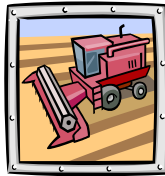
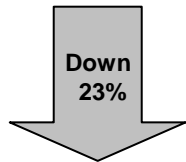


**Ambulance Fees (\$235,000)** – The City bills any individual who is transported in one of the City's ambulances. Through the month of August 2006, receipts from ambulance fees are down 2% or \$6,000 lower than last fiscal year at this time. Ambulance fees can fluctuate from month-to-month based on the number of calls.



**Fines and Forfeitures (\$212,000)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The City recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. Additional revenues received by the City from the court system

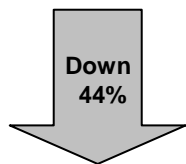
for the City's share of moving violation fines, as well as higher parking citation billings, account for the increased revenues in the current year.



**Other Licenses and Permits (\$194,000)** – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity.

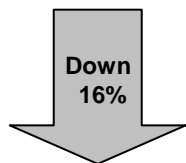
## ADDITIONAL GENERAL FUND REVENUES

Although the top General Fund revenues represent approximately 95% of all General Fund revenues, the City does have some other revenue sources, although much smaller in scale. Each month, we will highlight other revenue sources to give you some insight as to how these revenues are derived and how they are doing in the current fiscal year.



**Other Revenue Sources (\$53,000)** – Other revenue sources include revenues received by the City to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; and refunds of prior year fees. This year's revenues reflect increased refunds of prior year fees as well

as decreased contributions from property owners for public improvements. This decrease in revenues was partially offset by increased reimbursements received for damage to City property as well as other reimbursed expenses.



**Transfer Taxes (\$98,000)** – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The City receives 50% of the transfer tax charged for sales within the City of Carlsbad. The housing market was extremely strong

during the past couple of years in San Diego County, but has recently slowed down significantly. This slow down is reflected in the decrease in transfer taxes the City has received thus far in the new fiscal year.

## EXPENDITURES

Total General Fund expenditures and encumbrances through August 2006 are \$29.5 million, compared to \$26.3 million at the same time last year. This leaves \$81.9 million, or 73.5%, available through the fiscal year-end on June 30, 2007. If funds were spent in the same proportion as the previous year, the General Fund would have 75% available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at August 31, 2006 is 78.7%, identical to the 78.7% available at August 31, 2005.

The City Council has allocated \$2.3 million out of the General Fund budget to be available for unanticipated emergencies or unforeseen program needs. As of August 31, 2006, just over \$243,000 has been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>ADOPTED BUDGET</b>	\$2,300,000		
<b>USES:</b>			
San Diego Regional Energy Office Recommended Energy Retrofits	(215,052)	07/11/2006	2006-194
Donation to Carlsbad Softball Association	(7,964)	08/01/2006	AB 18,683
Donation to Artsplash	(20,000)	08/08/2006	AB 18,688
<b>TOTAL USES</b>	<u>(243,016)</u>		
<b>AVAILABLE BALANCE</b>	<u><u>\$2,056,984</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 08/31/06	ACTUAL FY 2006 AS OF 08/31/05	ACTUAL FY 2007 AS OF 08/31/06	CHANGE FROM YTD 2006 TO YTD 2007	PERCENT CHANGE
<b>TAXES</b>					
PROPERTY TAX	\$477,361	\$414,828	\$1,613,108	\$1,198,280	289%
SALES TAX	3,009,081	2,830,240	3,461,112	630,872	22%
TRANSIENT TAX	2,282,728	2,232,987	2,866,433	633,446	28%
FRANCHISE TAX	479,625	475,449	561,184	85,735	18%
BUSINESS LICENSE TAX	564,149	535,773	514,516	(21,257)	-4%
TRANSFER TAX	77,643	116,700	97,927	(18,773)	-16%
<b>TOTAL TAXES</b>	<b>6,890,587</b>	<b>6,605,977</b>	<b>9,114,280</b>	<b>2,508,303</b>	<b>38%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	173,829	197,044	162,623	(34,421)	-17%
HOMEOWNERS EXEMPTIONS	0	0	0	0	0%
OTHER	279,555	198,418	159,584	(38,834)	-20%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>453,384</b>	<b>395,462</b>	<b>322,207</b>	<b>(73,255)</b>	<b>-19%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	318,677	471,415	191,587	(279,828)	-59%
OTHER LICENSES & PERMITS	179,236	250,905	194,091	(56,814)	-23%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>497,914</b>	<b>722,320</b>	<b>385,678</b>	<b>(336,642)</b>	<b>-47%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	66,371	150,037	302,227	152,190	101%
BUILDING DEPARTMENT FEES	203,148	300,611	120,793	(179,818)	-60%
ENGINEERING FEES	275,164	279,506	213,077	(66,429)	-24%
AMBULANCE FEES	310,242	241,082	235,416	(5,666)	-2%
RECREATION FEES	519,603	551,255	541,781	(9,474)	-2%
OTHER CHARGES OR FEES	73,218	88,933	114,342	25,409	29%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>1,447,746</b>	<b>1,611,424</b>	<b>1,527,636</b>	<b>(83,788)</b>	<b>-5%</b>
<b>FINES AND FORFEITURES</b>	<b>145,195</b>	<b>157,741</b>	<b>211,661</b>	<b>53,920</b>	<b>34%</b>
<b>INCOME FROM INVESTMENTS &amp; PROPERTY</b>	<b>548,617</b>	<b>591,913</b>	<b>509,031</b>	<b>(82,882)</b>	<b>-14%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>363,333</b>	<b>434,984</b>	<b>345,885</b>	<b>(89,099)</b>	<b>-20%</b>
<b>OTHER REVENUE SOURCES</b>	<b>161,842</b>	<b>95,205</b>	<b>53,147</b>	<b>(42,058)</b>	<b>-44%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$10,508,618</b>	<b>\$10,615,026</b>	<b>\$12,469,525</b>	<b>\$1,854,499</b>	<b>17%</b>
(1)					
(1) Calculated General Fund revenues are 18.7% above estimates as of August 2006.					



GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT					
		TOTAL	AS OF 08/31/06		
DEPT	DESCRIPTION	BUDGET FY 2006-07	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE*
POLICY/LEADERSHIP GROUP					
	CITY COUNCIL	\$397,389	\$81,809	\$315,580	79.4%
	CITY MANAGER	1,372,617	207,258	1,165,359	84.9%
	COMMUNICATIONS	1,343,353	314,065	1,029,288	76.6%
	CITY CLERK	268,712	47,722	220,990	82.2%
	CITY ATTORNEY	1,219,046	201,337	1,017,709	83.5%
	CITY TREASURER	183,500	30,194	153,306	83.5%
	TOTAL POLICY/LEADERSHIP	4,784,617	882,385	3,902,232	81.6%
ADMINISTRATIVE SERVICES					
	ADMINISTRATION	769,141	159,272	609,869	79.3%
	FINANCE	3,184,403	670,025	2,514,378	79.0%
	HUMAN RESOURCES	2,438,672	621,046	1,817,626	74.5%
	RECORDS MANAGEMENT	898,450	142,603	755,847	84.1%
	TOTAL ADMINISTRATIVE SERVICES	7,290,666	1,592,946	5,697,720	78.2%
PUBLIC SAFETY					
	POLICE	23,810,367	4,593,377	19,216,990	80.7%
	FIRE	15,696,526	2,965,651	12,730,875	81.1%
	TOTAL PUBLIC SAFETY	39,506,893	7,559,028	31,947,865	80.9%
COMMUNITY DEVELOPMENT					
	COMMUNITY DEVELOPMENT ADMIN	689,233	208,167	481,066	69.8%
	HIRING CENTER (c)	88,000	83,512	4,488	5.1%
	GEOGRAPHIC INFORMATION	428,081	76,443	351,638	82.1%
	ECONOMIC DEVELOPMENT	213,608	28,367	185,241	86.7%
	PLANNING	3,969,672	1,093,884	2,875,788	72.4%
	BUILDING	2,331,263	752,249	1,579,014	67.7%
	TOTAL COMMUNITY DEVELOPMENT	7,719,857	2,242,622	5,477,235	70.9%
COMMUNITY SERVICES					
	PARK PLANNING & RECREATION	5,746,863	1,062,414	4,684,449	81.5%
	SENIOR PROGRAMS	935,285	170,046	765,239	81.8%
	LIBRARY	9,838,576	1,794,806	8,043,770	81.8%
	CULTURAL ARTS	885,056	184,282	700,774	79.2%
	TOTAL COMMUNITY SERVICES	17,405,780	3,211,548	14,194,232	81.5%
PUBLIC WORKS					
	PUBLIC WORKS ADMINISTRATION	998,837	137,266	861,571	86.3%
	ENGINEERING	7,800,676	2,156,166	5,644,510	72.4%
	PARKS	5,224,139	1,238,099	3,986,040	76.3%
	STREETS & TRAFFIC SIGNALS	4,171,254	845,674	3,325,580	79.7%
	FACILITIES	4,458,497	1,305,132	3,153,365	70.7%
	TOTAL PUBLIC WORKS	22,653,403	5,682,337	16,971,066	74.9%
NON-DEPARTMENTAL & CONTINGENCY					
	OTHER NON-DEPARTMENTAL (a)	2,291,904	844,291	1,447,613	63.2%
	TRANSFERS OUT	7,691,000	7,475,000	216,000	2.8%
	CONTINGENCY	2,056,984	0	2,056,984	100.0%
	TOTAL NON-DEPT & CONTINGENCY	12,039,888	8,319,291	3,720,597	30.9%
TOTAL GENERAL FUND		\$111,401,104	\$29,490,157	\$81,910,947	73.5%

(a) Other non-departmental expenses include property tax administration fees, assessment district administration, citywide litigation expenses, 2005 storm damage costs and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

(c) The Hiring Center contracts are encumbered in full at the beginning of each year, thereby reducing the available funds.

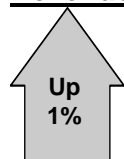
\* Amount available would be 75% if funds were spent in the same proportion as the previous year.



**WATER ENTERPRISE**

**WATER OPERATIONS FUND**  
**AUGUST 31, 2006**

	BUDGET FY 2006-07	YTD 08/31/2005	YTD 08/31/2006	CHANGE FROM YTD 2005-06 TO YTD 2006-07	PERCENT CHANGE
<b>REVENUES</b>					
WATER SALES	16,205,888	3,075,966	3,090,287	14,321	0.5%
CHARGES FOR CURRENT SERVICES	4,405,960	688,136	704,450	16,314	2.4%
PROPERTY TAXES	2,310,000	17,017	46,966	29,949	176.0%
FINES, FORFEITURES & PENALTIES	234,600	39,353	45,759	6,406	16.3%
INTEREST	500,062	83,957	84,362	405	0.5%
OTHER REVENUES	618,750	115,683	61,541	(54,142)	-46.8%
<b>TOTAL OPERATING REVENUE</b>	<b>24,275,260</b>	<b>4,020,112</b>	<b>4,033,365</b>	<b>13,253</b>	<b>0.3%</b>
<b>EXPENSES</b>					
STAFFING	2,981,106	403,883	431,418	27,535	6.8%
INTERDEPARTMENTAL SERVICES	2,218,226	366,113	373,051	6,938	1.9%
PURCHASED WATER	13,500,000	1,214,525	1,238,731	24,206	2.0%
MWD/CWA FIXED CHARGES	2,450,000	175,626	200,028	24,402	13.9%
OUTSIDE SERVICES/MAINTENANCE	560,495	24,260	50,010	25,750	106.1%
DEPRECIATION/REPLACEMENT	2,860,000	893,000	893,000	0	0.0%
CAPITAL OUTLAY	366	0	0	0	0.0%
MISCELLANEOUS EXPENSES	971,351	33,339	40,016	6,677	20.0%
<b>TOTAL OPERATING EXPENSES</b>	<b>25,541,544</b>	<b>3,110,746</b>	<b>3,226,254</b>	<b>115,508</b>	<b>3.7%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(1,266,284)</b>	<b>909,366</b>	<b>807,111</b>	<b>(102,255)</b>	<b>-11.2%</b>

**Revenues**

- The increase in water sales can be tied directly to the 0.4% increase in the number of water unit sales.
- An additional 3,156 residential water customers over the last twelve months has impacted charges for current services in the current fiscal year.
- A timing difference in the receipt of property taxes accounts for the increase year-to-date.
- An increase in late charges is reflected in higher fines, forfeitures and penalties. Late charges are 10% of a water bill, and tend to go up during the summer months when water bills are typically higher.
- The increase in interest income is the combination of a 6% decrease in the average daily cash balance and an 11% increase in the average yield on the portfolio for the new fiscal year.
- A slow down in development (lower installation and connection fees) led to the decrease in other revenues.

**Expenses**

- Higher staffing costs are the result of one-time vacation and leave payouts for retired employees, as well as temporary help in the meter shop.
- Water purchases lag water sales by approximately one month. The increase through August 2006 is the result of a 6% increase in the cost of purchased water.
- The MWD/CWA fixed charges were increased on January 1, 2006, to reflect the increased cost of delivering water to the Enterprise.
- Costs associated with the proposed desalination facility, Encina water testing and facility landscaping resulted in higher outside services and maintenance expenses.
- Expenses related to printing the 2006 Water Quality Reports resulted in higher miscellaneous expenses.

**SANITATION ENTERPRISE**

SEWER OPERATIONS FUND AUGUST 31, 2006					
	BUDGET FY 2006-07	YTD 08/31/2005	YTD 08/31/2006	CHANGE FROM YTD 2005-06 TO YTD 2006-07	PERCENT CHANGE
<b>REVENUES</b>					
CHARGES FOR CURRENT SERVICES	7,527,599	1,159,010	1,215,556	56,546	4.9%
INTEREST	162,194	28,494	30,392	1,898	6.7%
OTHER REVENUES	251,303	34,959	42,409	7,450	21.3%
<b>TOTAL OPERATING REVENUE</b>	<b>7,941,096</b>	<b>1,222,463</b>	<b>1,288,357</b>	<b>65,894</b>	<b>5.4%</b>
<b>EXPENSES</b>					
STAFFING	1,189,635	157,029	164,202	7,173	4.6%
INTERDEPARTMENTAL SERVICES	1,057,550	163,730	176,011	12,281	7.5%
ENCINA PLANT SERVICES	3,082,657	0	0	0	0.0%
OUTSIDE SERVICES/MAINTENANCE	276,677	12,387	15,462	3,075	24.8%
DEPRECIATION/REPLACEMENT	2,902,000	740,000	740,000	0	0.0%
CAPITAL OUTLAY	45,810	0	46,260	46,260	100.0%
MISCELLANEOUS EXPENSES	361,079	19,824	36,788	16,964	85.6%
<b>TOTAL OPERATING EXPENSES</b>	<b>8,915,408</b>	<b>1,092,970</b>	<b>1,178,723</b>	<b>85,753</b>	<b>7.8%</b>
<b>OPERATING INCOME/LOSS</b>	<b>(974,312)</b>	<b>129,493</b>	<b>109,634</b>	<b>(19,859)</b>	<b>-15.3%</b>

**Revenues**

- The increase in charges for current services is primarily the result of an additional 2,736 new residential sewer customers over the past twelve months, as well as a 3.85% rate increase that went into effect on August 1, 2005.
- Higher interest income is the result of an 11% increase in the average yield on the portfolio for the new fiscal year.
- A timing change in the annual billing to the City of Vista for their share of the maintenance costs on the Vista/Carlsbad sewer interceptor line, accounts for higher other revenues.

**Expenses**

- Staffing costs reflect increased retirement expenses as well as normal salary increases.
- An increase in engineering services charged to sewer operations is the primary factor in higher interdepartmental services.
- Encina plant services are billed on a quarterly basis.
- Outside services and maintenance costs reflect minor sewer line repairs made last year at this time.
- The \$740,000 in depreciation/replacement expenses represents the annual additional cash transfer made to the Sewer Replacement Fund to cover future capital replacements.
- Capital outlay expenses include an internal gas alarm monitor and a submersible pump.
- Pump refurbishment equipment, additional supplies and higher heating and lighting costs account for the rise in miscellaneous expenses.

**REDEVELOPMENT AGENCY**

**CARLSBAD REDEVELOPMENT AGENCY**  
**VILLAGE PROJECT AREA**  
**OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS**  
**AUGUST 31, 2006**

	BUDGET FY 2006-07	YTD 08/31/2005	YTD 08/31/2006	CHANGE FROM YTD 2005-06 TO YTD 2006-07	PERCENT CHANGE
<b>REVENUES</b>					
PROPERTY TAXES	2,132,690	0	0	0	0.0%
INTEREST	35,000	7,164	13,331	6,167	86.1%
OTHER REVENUES	94,000	19,714	20,194	480	2.4%
<b>TOTAL OPERATING REVENUE</b>	<b>2,261,690</b>	<b>26,878</b>	<b>33,525</b>	<b>6,647</b>	<b>24.7%</b>
<b>EXPENSES</b>					
STAFFING	173,539	26,613	25,361	(1,252)	-4.7%
INTERDEPARTMENTAL SERVICES	85,261	10,212	14,210	3,998	39.2%
RENTALS & LEASES	161,623	133,966	121,402	(12,564)	-9.4%
DEBT EXPENSE	1,046,740	723,001	737,632	14,631	2.0%
CAPITAL OUTLAY	1,257,468	0	17,234	17,234	100.0%
OUTSIDE SERVICES, MAINT & MISC	156,415	100,427	97,935	(2,492)	-2.5%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>2,881,046</b>	<b>994,219</b>	<b>1,013,774</b>	<b>19,555</b>	<b>2.0%</b>
<b>TOTAL OPERATING REVENUES OVER EXPENDITURES</b>	<b>(619,356)</b>	<b>(967,341)</b>	<b>(980,249)</b>	<b>(12,908)</b>	<b>1.3%</b>

**Revenues**

- Assessed values for the year have increased by 24% in the Village Redevelopment Area. The first installment will be received in November 2006.
- Increased interest revenue is the result of a 70% higher average daily cash balance combined with an 11% increase in the yield on the portfolio for the fiscal year.

**Expenditures**

- Reduced staffing costs are a reflection of a change in which the Housing and Redevelopment Commission is compensated for their services, that went into effect January 1, 2006.
- Higher interdepartmental charges are the result of an updated cost allocation plan. These expenses are the result of reimbursing the City's General Fund for services performed by departments within this fund on behalf of the Agency.
- A timing difference in the annual payment of a parking lot lease accounts for the decrease in rentals and leases.
- The increase in capital outlay is attributable to design services for the Senior Center expansion.